

2016 rental revenues

The focusing strategy on Office buildings within Paris CBD together with the sale of residential assets as tenants leave, reaches maturity and is demonstrably working:

- Portfolio revalued by 12%, mainly due to the decrease of yields in Paris,
- Rental income from Parisian commercial assets represent 85% of total 2016 rental income vs 75% in 2015, up 10.8% on Q4.

- Revalued portfolio at 31 December: €2,088m (Replacement value) and €1,944m (excluding duties), up 13.5 %, 95 % of which based in Paris intra-muros

The continuing decrease of yields on the prime Parisian market is the main explanation for the 13.5 % increase in the value of TERREÏS portfolio, from €1,712m at the end of 2015 up to €1,944m at the end of 2016 (Replacement value of €2,088m).

As announced, TERREÏS focused on the continuation of the sale of its residential assets, as well as its regional and near-Paris office buildings. Despite high metric prices and strong competition, TERREÏS was able to achieve significant acquisitions in Paris CBD during 2016.

The €232m increase of TERREÏS portfolio in 2016 breakdowns as follow:

- **2016 acquisitions (including duties) and valuation work: + €109m**

TERREÏS reinforced its Paris CBD Tertiary portfolio with the acquisition of three office buildings from the « Centre National du Cinéma et de l'Image Animée » (CNC) located 11 rue Galilée, 32/34 rue Galilée and 10/12 rue de Lübeck (Paris 16e), for €91.5m excluding duties. Altogether, it represents a rental surface of 8,316 sq. m. They are occupied until the end of Q1 2018. TERREÏS also performed renovation and improvement work on its properties for €8m.

- **2016 Disposals: €89m (appraisal value: €88m)**

TERREÏS pursued its strategy of monetization of non-strategic assets by selling for €54m of regional and near-Paris Commercial assets, and for €35m of residential assets. Disposals have been completed above appraisal prices.

At December 31, 2016, additional promises for an amount of €59m were signed, and will be completed over the next few months. They consist mainly in the Lebrun building in Antony, sold on January 9, regional assets and residential assets in Paris.

- **Revaluation of portfolio: +€211m (+12.2 % on a like-for-like basis)**, mainly due to the decrease of Parisian yields.

At the end of 2016, TERREÏS portfolio was made of 95 % of Parisian assets, 4 % of near-Paris assets and 1 % of regional assets.

• **Rental income: strong Q4 for revenues from strategic assets in Paris intra-muros**

Rental income from Parisian office buildings increase by 7.4 % on the whole year, from €53.1m to €57.0m. Over Q4, they represent close to 90 % of total revenue income and are up 10.8 % over Q4 2015.

The 10 first clients of TERREÏS represent 30 % of Parisian Tertiary income, which underlines a diversification in tenants' risk.

The increase by €3.9m year on year is due for 60 % to the 2015 and 2016 acquisitions. The most recent acquisitions were three office buildings acquired from the « Centre National du Cinéma et de l'Image Animée » (CNC) located in the middle of Paris CBD. The balance is due to organic growth, resulting from the significant improvement of EPRA vacancy rate (calculated on leasable properties), from 5.8 % in 2015 down to 4.4 % in 2016.

Main relocations were on rue Galilée, rue St Lazare, rue Lafayette, avenue de Friedland and boulevard Haussmann.

Rental income (€m)	Year					4 th Quarter				
	2016		2015		Change %	2016		2015		Change %
	€m	%	€m	%		€m	%	€m	%	
Parisian office buildings	57.0	85%	53.1	75%	+7.4%	14.8	89%	13.4	77%	+10.8%
Other assets	9.7	15%	17.6	25%	-44.9%	2.0	11%	4.0	23%	-51.8%
Tertiary outside Paris	6.4		13.8			1.1		3.1		
Residential	3.3		3.8			0.9		0.9		
Total	66.7	100%	70.7	100%	-5.7%	16.8	100%	17.4	100%	-3.6%

Total rental income for 2016 amounts to €66.7m, to be compared to €70.7m over the same period of 2015. The 5.7 % decrease is the consequence of the sale of non-strategic assets (non-Parisian offices and retail properties and residential assets when tenants leave). It also takes into account the vacancy, since February 2016, of the whole 13,000 sq. m. Building « Le Saint Raphaël » in Ivry-sur-Seine, for which relocation or conversion into hotel residence are under study.

- **Outlook: continuation of the strategy of concentrating on office buildings within the Parisian CBD**

The goal of TERREÏS is to increase its Parisian commercial portfolio and to focus on the Paris CBD. In the current prime Parisian market conditions, while remaining attentive to opportunities that may arise, TERREÏS will concentrate on the disposal of its non-strategic assets under the best conditions (Residential, regional and Paris area).

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About Terreïs (www.terreis.fr) - ISIN Codes: FR0010407049 - Ticker symbol: TER

TERREÏS is a real estate company where the assets consist of offices and retail premises that are primarily located in Paris. TERREÏS has been listed on the Euronext regulated market in Paris since December 2006, and has been included in Compartment B since January 2012. The Group has opted for the status of listed property investment company ("SIIC") since 1 January 2007.